

Disability Plan

PaineWebber's Commitment to

YOU

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Introduction

PaineWebber provides employees with two disability plans,* both of which are designed to provide income to you if you are unable to work due to an illness or injury.

The Short-Term Disability (STD) Plan, provided at no cost to employees, replaces a part of your earnings while you are disabled for up to 26 weeks.

The length of your earnings continuation depends on how long your disability continues. If you are disabled for more than 26 consecutive weeks, you may be eligible for Long-Term Disability (LTD), should you choose to participate in the LTD Plan. If you elect coverage, the LTD plan replaces a portion of your income if you are disabled for longer than six months. The chart below summarizes the features of the STD and LTD Plans. The sections that follow describe both plans in greater detail. You must enroll for LTD coverage and pay the required contributions to be insured.

Eligibility	Full-time and part-time employees locked-in at a minimum of 20 hours per week	Full-time and part-time employees locked-in at 20 hours per week excluding temporary or seasonal employees
Who Pays for Coverage	PaineWebber	Voluntary Participation. Employee must elect to purchase this plan
Coverage Begins	After one full year of employment	If elected within 31 days from employment date, coverage begins first day of employment
Coverage Amount	<i>Salaried Employees:</i> 75% of base salary <i>Commissioned Employees:</i> 75% of prior six month's net production	60% of the average of the prior three year's Benefits Base Salary (BBS)
Coverage Period	Up to 26 weeks	Begins when STD ends. Benefits may continue until you are no longer disabled, return to work, terminate employment, or die

* Please note that if your earnings exceed \$250,000 per year, you may be eligible for the Executive Long-Term Disability Plan. You will be sent enrollment materials automatically upon your eligibility.

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The **Short-Term Disability** Plan

Most of us don't think of an occasional illness—such as a bad case of the flu, a broken leg, or an operation—as a disability. In reality, however, each of these occurrences can become a short-term disability that keeps you away from work for several weeks. That's why PaineWebber has a Plan that temporarily continues a part of your income while you are sick or injured.

This booklet, called a Summary Plan Description or SPD, contains a description of the Short-Term Disability Plan, in effect as of January 1, 1999.

You should read this booklet carefully and keep it in a safe place. You should also let your spouse or beneficiary(ies) know where you keep this SPD.

This SPD is intended to describe in general terms the benefits you may be provided under the Short-Term Disability Plan. The operation of the Short-Term Disability Plan is governed by the Plan document and other legal documents. The document does not determine rights under the Short-Term Disability Plan but is intended only to summarize the important provisions of the Plan. If there is an inconsistency between the SPD and the Plan document, the terms of the Plan document will govern.

Paine Webber Group Inc. reserves the right to suspend, amend or terminate the Short-Term Disability Plan at any time. In the event of any such action, you will be notified of any changes that will affect you.

The information in this SPD does not imply that participation in the Short-Term Disability Plan is a guarantee of continued employment or that the Short-Term Disability Plan will exist or remain unchanged in the future.

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How the Plan Works

Joining the Plan

Eligibility

You are eligible to participate in the STD Plan if you are an active full-time employee or if you are an active part-time locked-in employee working a schedule of at least 20 hours per week.

When Participation Begins

You are automatically a participant in the STD Plan once you have completed 12 months of continuous employment with PaineWebber. You do not need to complete an enrollment form.

Note: If your 12-month anniversary occurs while you are on a Short-Term Disability leave, you will not be eligible to receive benefits from the Plan.

When Participation Ends

Participation in the STD Plan will end if any of the following occur:

- Change of status to a group that is not eligible for the Short-Term Disability Plan;
- You enter military service (not including Reserve or National Guard);
- Termination of employment with PaineWebber;
- Retirement; or
- Death.

STD Benefits

If you are absent from work because of an illness, pregnancy, or injury that is not work-related,* the Plan continues 75% of your compensation. Salary continuation benefits from the STD Plan continue as long as you are ill or injured (and your disability has been verified by PaineWebber's Medical Director) or until you reach the maximum benefit period of 26 weeks.

For the first five business days of your disability, you receive sick pay (if you have remaining sick days available) if you are a salaried employee. If you have exhausted your annual sick-day allotment, your first five sick days will be unpaid. If you are a commissioned employee, your STD benefit begins on your first day of absence.

**Note: Work-related injuries are covered by Worker's Compensation.*

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How Compensation is Defined

Here is how compensation is defined by the Plan:

- **If you are a salaried employee**
Compensation is defined as your current annual base salary, not including overtime, bonuses, and any incentive compensation. (If your salary increase occurs during your STD period, your new annual base salary will be in effect as soon as you are back to active status.)
- **If you are a commissioned employee**
Compensation is defined as the average of your actual net production earnings for the six-month period prior to the month in which your disability begins. If however, your actual trailing net production earnings for any month during your disability are greater than your disability benefits, you will receive your actual earnings instead of the STD benefits.
- **If you are a salaried and commissioned employee**
Compensation is defined as both: 75% of the average of your actual net production earnings for the six month period prior to the month in which your disability begins and 75% of your annual base salary.
- **If you are broker paid (100% or partial)**
If you are 100% broker paid, you will continue to receive 75% of your annual base salary. If you are partially broker paid, you will continue to receive 75% of your annual base salary from both PaineWebber and your broker. (Broker-paid bonuses and supplemental compensation will not be included.)

An example

The following example illustrates the way the STD Plan would pay a benefit for a non-work related disability. In this example, assume the following:

- You are a salaried employee and
- You earn \$961.53 per week (\$50,000 annually).

Based on these assumptions, you would receive the following benefits:

- Week One: Your Regular Pay (\$961.53) (using your five, fully paid sick days).
- Week Two Up to Week 26: 75% of your pay or \$721.14 (STD @ 75%).

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State Disability

If you live in New Jersey, New York, California, Rhode Island, or Puerto Rico, you may be entitled to state disability benefits in addition to your STD benefits. These benefits will never exceed 100% of your total base salary. If you become disabled and work in one of these states, you should contact the Benefits Department for further information.

Recurrent Disability

The duration of your STD benefit payments will depend on when your disability recurs:

- If you recover but become disabled again due to the same or a related illness or injury within 90 days of the date you return to work, your second period of disability will be considered as part of the first period. This means you will receive STD benefits for both periods of disability for a combined total of 26 weeks.
- If you recover from a short-term disability but become disabled again due to the same or a related illness or injury after you have returned to work for more than 90 days, this will be considered a separate period of disability. You will then be eligible to receive STD benefits for up to another 26 weeks.
- If you become disabled again due to a different cause, regardless of the length of time you have been back to work.

When Payments End

Benefits will end automatically if:

- You are no longer disabled;
- You return to work at PaineWebber or elsewhere;
- You have received STD benefits for 26 weeks;
- You refuse to obtain and follow medical advice or refuse treatment that is recommended by a competent medical authority;
- You do not provide satisfactory medical evidence of your disability or refuse to undergo a medical examination requested by PaineWebber;
- Your employment terminates; or
- You die.

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Receiving Plan Benefits

Making A Claim

If you are absent from work because of illness or injury and your absence is expected to last more than five days, you should contact your manager and the Benefits Department. Both you and your manager play important parts in the processing of your STD.

What Your Manager Must Do

Upon being notified of your Short-Term Disability, your manager must complete an HRMS Change Document. These forms must be completed prior to your first day on disability in order to avoid any interruptions to your paycheck. The form must be sent to division for approval and then eventually to payroll. Your manager is also responsible for generating an HRMS Change Document to bring you back to active status. If the form is received by Payroll after your disability payments have already commenced, adjustments to your disability pay will be made.

What You Must Do

Once you notify your manager of your intended disability period, you and your physician must complete a Certificate of Disability (COD) Form and a State Disability Form (if applicable). These forms must be completed whether or not you have completed 12 months of service. The COD forms are kept confidential and no information with regards to your illness will be released.

Once complete, you should mail or fax the forms to the Benefits Department at the following address:

PaineWebber, Inc.
Benefits Department-Disability
1000 Harbor Boulevard-10th Floor
Weehawken, NJ 07087
Fax: 201-617-8314

Your form should be received by the Benefits Department 14 days prior to your first day of absence for a planned disability (e.g. childbirth, scheduled surgery) and no later than seven days after your first day of absence for an unplanned disability. Failure to comply with these time frames will result in suspension of your benefit payments.

Once your COD Form is approved, you will begin receiving STD payments directly from PaineWebber. Payments will be mailed to your home address and will follow the payroll cycle you were paid under prior to your disability.

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Disability Extensions

If your physician indicates you are still disabled on your original return-to-work date, you must contact the Benefits Department before the day you are expected to return to work. You and your physician must complete a new COD Form providing the appropriate extension and submit it to the Benefits Department prior to your expected return to work date in order to continue receiving your benefits. If the extension from your physician is received by the Benefits Department late, your payments may be delayed.

Before you return to work, you will need to obtain a return-to-work clearance. Your physician may be requested to provide the Benefits Department with a written release allowing you to return to work.

How Disability Affects Your Other Benefits

All your other benefits continue while you are receiving STD benefits. Payroll deductions also continue while you are receiving benefits from this Plan. These include, for example, all taxes, FICA, medical, dental, IAP and 401(k) Plus Plan contributions, and Equity Plus Plan contributions.

If you have been with PaineWebber for less than one year, are not eligible to receive STD benefits, and become disabled, your elected benefits will continue during your period of disability. The required employee contributions for your benefits during your absence will be collected from your paycheck when you return to work. If you do not return to work, you will need to submit the required contributions to the Benefits Department by submitting a personal check in the required amount.

When Benefits Are Not Paid

Although the Plan pays benefits for most disabilities, benefits will not be paid:

- If your disability is the result of a self-inflicted injury;
- If your disability is a result of participation in a crime;
- For a period of disability during which you are not under a physicians' care;
- For a period of disability during which you perform any work for which you receive wages;
- For a disability that is work-related, whether for PaineWebber, another employer, or from self-employment; or
- For a disability that begins before you become eligible for the plan.

Coordination of STD with Family Medical Leave

Under the Federal Family and Medical Leave Act (FMLA), you are entitled to up to 12 weeks of unpaid time for absences due to your own serious health condition, if you have met certain eligibility requirements. **It is important that you understand that STD and FMLA absences run concurrently.** Therefore, once your STD begins and you are eligible for FMLA leave by reason of your own disability, the first 12 weeks or the number of weeks provided by your state, will run concurrently with and will be counted against your family medical leave entitlement.

Please note that the FMLA period is the maximum absence under which you will be guaranteed to return to your position, or one of similar status and pay. If you require additional STD time off because you remain disabled beyond your allowed FMLA or state leave allowance, you may be eligible for continued STD leave (up to 26 weeks), but your position with the Firm will not be guaranteed. For further information regarding the FMLA please refer to your Employee Handbook.

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